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<p>Tiivistelmä-Referat-Abstract</p> <p>This Thesis examines the extent to which labour market deregulation can provide a viable solution for problems associated with European labour markets. Compared to the US, Europe is said to have opted for equity instead of efficiency. Seemingly rigid labour markets have resulted in high and persistent levels of unemployment in times of post-industrialisation and globalisation. Labour market regulation is here understood in a wide sense, comprising employment protection legislation, but also wage setting, minimum wages and mandatory social security contributions. The Scandinavian regime would arguably have to make the greatest changes if all aspects of deregulation were implemented. Thus, the Thesis takes a closer at Finnish, Swedish and Danish employment policies. The Scandinavian model is contrasted with the liberal model of the UK. Data in the empirical section comes from OECD public databases.</p> <p>It is argued that recent changes in economic theory have influenced policy suggestions aiming at more flexible labour markets. The theory of the Natural Rate of Unemployment is associated with a different role of the state compared to traditional Keynesian theories. During the post-war period of stable economic growth and welfare state expansion, the state adopted in many countries an active role in the economy, and full employment was maintained by counter-cyclical demand management. Now the state has a much more limited role with regards to macroeconomic policy, and the idea of an undisturbed market is back in policy making.</p> <p>A trend towards the recommodification of labour is identified in the Thesis. It is argued that recent reductions in social security are an indication of this trend, and that labour market deregulation would strengthen it further. It will be concluded that Europe does not form a uniform area and that simple policy suggestions are therefore hard to find. Labour market deregulation is not an inevitable solution of European labour markets, and the social goals associated with employment policy are subject to political debate and not economic facts.</p>			
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